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**TO:** Finance Committee

**FROM:** Kevin J. Jackson, Village Manager

**DATE:** October 21, 2025

**RE:** Fiscal Year 2026 Operating Budget

**CC:** Department Directors

Please find attached the initial draft, Fiscal Year 2026 Budget for your review. Total expected recurring and one-time expenditures for Fiscal Year 2026 are \$254,098,247. This initial draft budget continues to maintain priority core services and while also addressing Village Board strategic priorities. In addition to this proposed plan to fund community services, staff anticipate a projected General Fund balance of \$45,874,149 for Fiscal Year 2026.

#### **Base Operating Budget for Core Services**

Staff estimate the availability of \$61,535,100 in structural, recurring revenue to support expenses for Village operations (core services) for Fiscal Year 2026. Included in this recurring revenue estimate is a recommended 4.96% increase to the annual property tax levy.

As you know, the annual property tax levy is the primary source of revenue for supporting costs associated with core services (Corporate Levy), debt service obligations (Debt Service Levy), and Police and Fire pension obligations (Police and Fire levies). Despite the recommended overall levy increase, Corporate Levy growth is 3.2%, Debt-service Levy growth is .03% and Police and Fire levies grew by 7.7% and 9%, respectively. The Village government represents 15% of the overall property tax levy among all village taxing jurisdictions. Below is a table reflecting the recommended property tax levy for Fiscal Year 2026.

	FISCAL YEAR 2025			FISCAL YEAR 2026		
	BUDGET		Tax Year 2024	PROPOSED BUDGET		Tax Year 2025
	Tax Year 2024	Tax Year 2024		Tax Year 2025	Tax Year 2025	
	Levy	Loss	Total Levy	Levy	Loss	Total Levy
Corporate	18,529,522	555,886	19,085,408	19,125,000	573,750	19,698,750
Debt Service	5,430,723	271,536	5,702,259	5,443,018	272,151	5,715,169
Police Pension	7,639,547	229,186	7,868,733	8,276,706	248,301	8,525,007
Fire Pension	6,813,643	204,409	7,018,052	7,474,204	224,226	7,698,430
SUBTOTAL	38,413,435	1,261,018	39,674,453	40,318,928	1,318,428	41,637,356
Year to Year	3.5%		3.6%	4.96%		4.96%

Estimated structural, recurring expenses for core services in Fiscal Year 2026 are \$60,882,493. This difference represents a structural surplus in the base budget for core services of \$652,607. Staff propose to use this structural surplus in Fiscal Year 2026 to provide partial funding for a number of one-time expenses.

In preparing this initial draft, Fiscal Year 2026 Budget, Village departments were directed to limit proposed Fiscal Year 2026 expenses and identify any cost-saving and/or revenue offset opportunities to maintain core services previously authorized in the prior-year base operating budget. The draft budget reflects a limited amount of additional structural expenses to address priority needs to sustain or enhance quality core-service delivery and support the advancement of Village Board goals. These impacts are mainly highlighted in the attached memorandum on proposed personnel changes for Fiscal Year 2026. Notably, any substantial increases to the base operating budget are primarily due to rising costs of existing expenses, such as healthcare costs projected at a 9.5% increase and IMRF increasing from 3.5% to 3.98%, along with police and fire pension obligations. Concurrently with these cost increases, the initial draft budget anticipates substantial reductions in the State Use Tax revenue and investment income as interest rates continue to drop.

#### **One-Time Investments to Advance Strategic Priorities**

Recommended appropriations for one-time expenses to advance strategic priorities of the Village and enhance core service-delivery in Fiscal Year 2026 total \$2,591,029. These proposed one-time expenditures will be discussed during the upcoming scheduled Finance Committee meetings for Village department budget presentations.

The draft budget also recommends a fund balance appropriation of \$17,331,827 to support planned Fiscal Year 2026 capital expenses (carry-over and new projects) associated with essential infrastructure needs and capital improvement priorities related to Village Board goals.

#### **Summary of Revenues**

On the following page is a table of projected recurring and one-time revenues generated and obtained by the General Fund for the Village to pay for total expenses.

	2024 ACTIVITY	2025 AMENDED BUDGET	2025 ACTIVITY THRU 10/20/2024	2025 PROJECTED ACTIVITY	2026 PROJECTED REVENUES
TAX REVENUES	62,491,625	64,377,712	31,785,731	61,903,322	65,805,910
OTHER LOCAL GOVERNMENT	879,429	948,000	463,095	858,095	675,000
LICENSES & PERMITS	2,517,718	2,263,475	1,566,971	1,575,799	2,385,075
GRANT REVENUE	311,423	22,000	192,894	218,788	8,000
FUND BALANCE APPROPRIATION, UNCOMPLETED PROJECTS FROM PRIOR YEAR	36,466	38,376,353	429	3,500,429	17,331,827
CHARGES FOR SERVICES	4,890,655	4,390,400	2,781,697	3,283,650	4,340,025
FINES & FEES	1,702,551	1,270,000	1,366,186	1,544,069	2,072,000
INVESTMENT	2,221,452	3,047,769	2,492,716	3,000,000	2,000,000
INTERFUND TRANSFERS IN	9,055,985	0	0		1,760,000
<b>TOTAL REVENUE</b>	<b>84,107,304</b>	<b>114,695,709</b>	<b>40,649,719</b>	<b>75,884,152</b>	<b>96,377,837</b>

Fiscal Year 2025 amended total budgeted revenues are to be \$114,695,709 compared to Fiscal year 2026 projected total revenues of \$96,377,837. Fiscal Year 2025 total revenue needs to be adjusted to reflect the removal of the fund balance appropriation of \$34,294,959 and uncompleted projects from prior year of \$4,081,394, resulting in core revenue of \$76,319,356. 2026 total revenue is adjusted by fund balance appropriation of \$17,331,827 and a transfer in from ARPA of \$1,760,000 resulting in core revenue of \$77,286,010.

### **Summary of Planned Expenditures**

Below is a summary of total expenses (one-time and reoccurring) allocated from the General Fund. The Personnel Services category includes the Payroll Expense Turnover Savings for Fiscal Year 2025 of \$1,700,000. In Fiscal Year 2026, we are projecting and have included in the category the Payroll Expense Turnover Savings of \$3,000,000.

	2024 ACTIVITY	2025 AMENDED BUDGET	2025 ACTIVITY THRU 10/20/25	2025 PROJECTED ACTIVITY	2026 REQUESTED BUDGET
PERSONNEL SERVICES	31,214,074	35,453,120	26,380,434	30,583,135	35,230,939
FRINGE BENEFITS	21,093,138	22,789,053	5,479,676	21,471,987	24,817,253
CONTRACTUAL SERVICES	10,355,225	15,158,973	8,559,004	14,132,535	14,490,007
OTHER EXPENSES	288,492	486,437	114,145	482,052	222,650
MATERIALS & SUPPLIES	2,080,185	2,975,686	1,737,054	2,634,971	3,225,291
CAPITAL IMPROVEMENTS	165,611	1,413,655	207,386	1,413,559	361,350
GRANTS & SUBSIDIES	700,642	972,542	257,991	648,000	1,023,542
INTERFUND TRANSFERS OUT	17,943,829	35,834,959		6,540,000	17,003,405
<b>TOTAL EXPENSE</b>	<b>83,841,196</b>	<b>115,084,425</b>	<b>42,735,910</b>	<b>77,906,239</b>	<b>96,377,837</b>

### **Unfunded FY 26 Budget Request**

Unfunded requests have been compiled and sorted based upon short-term, desire for inclusion in Fiscal year 2026, and those which have a long-term impact on the Village's finances. Short-term unfunded requests for Fiscal year 2026 include six Firefighter/Paramedics \$684,570 (based upon \$114,095 for entry level salary and fringe benefits), conversion of two Public Health ARPA funded positions, Environmental Health Supervisor for \$134,161 and Health Education Manager \$114,619, and a part-time File Clerk \$43,198 and part-time Graduate Fellow, \$38,630 for the Village Clerk for a total of \$1,015,178.

Board goals and initiatives have also added to the list of long-term unfunded or underfunded requests, which include:

- New Police facility
- Village Hall renovations
- Phase I ECHO Pilot program
- Phase II Alternative Crisis Call Response Initiative
- Sustainability operations (full-structural funding of personnel costs)
- Sustainability One-Stop Shop programming
- Reparative Justice initiatives
- Unhoused Emergency Shelter operations
- Strategic property acquisitions
- Electric shuttle pilot

Staff continue to search for grants and appropriate revenue sources to help fund the expenses and initiatives of the Village Board. The following pages detail each department's use of the General fund. Departments shall present their budget request to you on October 23 and November 6<sup>th</sup> and shall be ready to answer any of your questions.

Attachment:  
IO-2026-10-17 Staffing and Org Chart Updates.docx